



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

December 10, 2008

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE

Pursuit of County Positions on State and Local Fiscal Relief Legislation

Need for Fiscal Relief: There is a growing recognition that state and local governments are in dire need of fiscal relief from the Federal government. During major economic downturns, state and local tax revenues decrease while the need for state and local services, especially safety net services, increases. The vast majority of states currently are facing budget shortfalls. According to a recent Center on Budget and Policy Priorities study, at least 41 states are facing budget shortfalls, including 31 states which face mid-year budget shortfalls totaling an estimated \$24.3 billion. California alone accounts for nearly 40 percent of the total combined mid-year budget shortfall.

California also is one of the more economically distressed states with among the nation's highest foreclosure rates and unemployment rates. According to the Bureau of Labor Statistics, in October 2008, the State had an unemployment rate of 8.2 percent, compared to the national unemployment rate of 6.5 percent. The Los Angeles metropolitan area had an unemployment rate of 8.4 percent. Early projections indicate that the State unemployment rate may reach 9 percent in 2009.

President-elect Obama has indicated on several occasions that he supports fiscal relief and measures to address the credit crisis facing state and local governments. The most

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

recent economic stimulus proposals introduced in Congress also include fiscal relief for state and local governments. When the new 111th Congress convenes in January, it is expected to act quickly on a comprehensive economic stimulus bill, which would be the legislative vehicle for state and local fiscal relief. Congress will reconvene for legislative business on January 6, and the House and Senate Leadership have indicated that they intend to pass legislation and have it ready for President-elect Obama to sign when he takes office on January 20.

The potential benefits of Federal fiscal relief for California and the County will be determined by not only the total dollar amount of the fiscal relief package, but also how fiscal relief is provided -- especially by which programs and activities are funded and how funds are allocated. Congress is likely to provide fiscal relief through existing programs rather than new programs. The use of existing programs also increases the likelihood that existing program allocation formulas would be used to allocate funds. This is significant because the percentage share of total funding received by California varies by program.

The County's Federal Agenda includes policies to support Federal fiscal relief for financially distressed state and local governments; and to support proposals which would provide a greater share of total available Federal funding to the County or California; reduce or relax match requirements which hinder the ability of financially distressed state and local governments to receive or utilize Federal funds; provide for direct grants or mandatory pass-throughs to large urban counties; increase California's Federal Medical Assistance Percentage, the Federal matching rate used under the Medicaid and Title IV-E Foster Care programs; secure greater flexibility over the use of Federal funds; increase funding for the State Criminal Alien Assistance Program, Community Development Block Grant, Workforce Investment Act programs, County transportation and infrastructure projects, and energy efficiency improvements, and oppose proposals that would reduce Federal or State financial participation in health and human services programs, especially when it could result in a reduction in services or shift costs to the County.

Based on these policies, the County's Washington, D.C. advocates will pursue fiscal relief for state and local governments, including:

- **Federal Match Rate Increase for Health and Entitlement Programs.** The fiscal relief portion of an economic stimulus bill should increase the Federal Medical Assistance Percentage (FMAP) for Medicaid assistance and extend the increase to other entitlement programs, including Title IV-E foster care and adoption assistance, child support enforcement, the State Children's Health Insurance Program, and Medicaid administrative costs. The last state fiscal relief package adopted by Congress in 2003 (P.L. 108-27) provided a total of \$10 billion nationwide for a temporary FMAP increase for Medicaid assistance.

- **Medicaid Disproportionate Share (DSH) Funding.** The fiscal relief package should increase California's DSH allotment to assist our public hospitals in responding to the rising numbers of unemployed and uninsured. In addition to reimbursing hospitals for treating Medicaid beneficiaries, DSH payments are also used to reimburse hospitals for care to the uninsured. Even before the economic downturn, the County relied heavily on DSH funds to help treat the millions of low income, uninsured and Medi-Cal patients we treat each year. Since the DSH program is already in place, this increase could be done quickly and seamlessly to ensure that the growing number of people turning to public hospitals can continue to receive the health care services they need.
- **Apply FMAP Increase to Disproportionate Share Hospital Payments.** The FMAP increase also should be applied to Medicaid DSH payments.
- **Prevent Implementation of All Regulatory Changes Which Would Reduce Medicaid Payments to State and Local Governments.** Under the Bush Administration, the Centers for Medicare and Medicaid Services proposed seven Medicaid regulations that would reduce Medicaid payments to state and local governments, including hundreds of millions of dollars annually to the County's public hospitals. Congress blocked implementation of six of the seven rules until April 1, 2009. Congress and the new Obama Administration should take steps to withdraw or rescind all of these rules, including a recently issued final rule that is not subject to current statutory moratorium and that would reduce Medicaid reimbursement of hospital outpatient costs.
- **Increased Funding for Workforce Investment Act (WIA) Programs.** Increased funding for WIA employment and training programs would help California and the County to address the employment and training needs of the growing number of unemployed persons. The State and County also would benefit from the WIA allocation formula which allocates funds to states and localities based on their relative need.
- **State Criminal Alien Assistance Program (SCAAP) funding.** The County supports additional funding for SCAAP in a fiscal relief package, ideally at the fully authorized level of \$950 million. Increasing the County's SCAAP reimbursement would free up funding for other public safety needs.
- **Funding for Public Works Infrastructure and the Community Development Block Grant Program.** The County has more than \$500 million in local "ready-to-go" improvement projects for roads, airports, flood control and wastewater infrastructure, community development and public housing, and environmental restoration that will provide immediate employment opportunities and economic benefits. For highway projects, funding should be provided directly to urban local governments and Metropolitan Planning Organizations instead of through states to

ensure that projects can start immediately. The County also has several "ready-to-go" capital construction and retrofit projects at County facilities that will use energy efficient technologies. These include construction and renovation projects at hospitals, emergency rooms, Sheriff's stations, detention centers, and local recreation areas.

Support for the above items is consistent with policies in the County's Federal Legislative Agenda. **Therefore, the County's Washington, D.C. advocates will support inclusion of the above items, as well as funding for other programs that would provide fiscal relief or increased funding to the County, as part of a larger economic recovery bill.**

WTF:GK
MAL/RT:MT/RD:er

c: All Department Heads
Legislative Strategist